

DEPARTMENT OF ENVIRONMENT AND RESOURCE MANAGEMENT

COMMERCIAL REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 1999



1700 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V7

Phone: (306) 787-6398
Fax: (306) 787-6383
Internet e-mail: info@auditor.sk.ca

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Commercial Revolving Fund as at March 31, 1999 and the statements of operations and accumulated operating surplus/deficit, and changes in accumulated net recovery/expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
September 13, 1999

Wayne Strelieff
Wayne Strelieff, CA
Provincial Auditor

Statement 1

**COMMERCIAL REVOLVING FUND
BALANCE SHEET
As at March 31**

	<u>1999</u>	<u>1998</u>
ASSETS		
Current assets:		
Accounts receivable	\$ 242,751	\$ 233,112
Inventories	134,165	132,372
Accumulated net recovery (Statement 3)	<u>202,257</u>	<u>---</u>
	579,173	365,484
Capital assets (Note 5)	<u>759,337</u>	<u>752,992</u>
	<u>\$ 1,338,510</u>	<u>\$ 1,118,476</u>
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable	\$ 483,411	\$ 390,251
Unearned revenue (Note 6)	<u>13,266</u>	<u>203,648</u>
	<u>496,677</u>	<u>593,899</u>
Non-current liabilities:		
Accumulated net expenditure (Statement 3)	<u>---</u>	<u>469,242</u>
Fund equity:		
Accumulated operating surplus (Statement 2)	<u>841,833</u>	<u>55,335</u>
	<u>\$ 1,338,510</u>	<u>\$ 1,118,476</u>

(See accompanying notes to the financial statements)

Statement 2

COMMERCIAL REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED
OPERATING SURPLUS/DEFICIT
For the Year Ended March 31

	1999		1998
	Budget	Actual	Actual
Revenues:			
Campground	\$ 2,873,000	\$ 3,340,502	\$ 2,908,193
Cottage lots/permits	1,500,000	1,550,931	1,546,466
Park entry	1,281,000	1,469,274	1,350,680
Surface leases	493,000	571,727	474,139
Other revenue	231,000	425,946	349,800
Commercial leases	433,000	393,501	444,121
Accommodation	225,000	288,772	259,704
Swimming pool fees	130,000	161,937	147,458
Hay & grazing fees	155,000	157,778	159,392
	<u>7,321,000</u>	<u>8,360,368</u>	<u>7,639,953</u>
Expenses:			
Wages	6,849,870	7,398,357	7,042,334
Material, supplies & freight	1,000,253	936,282	1,160,456
Repairs & maintenance	624,150	756,952	628,137
Utilities	554,855	753,325	574,161
Vehicle rentals	622,178	672,185	633,901
Other expenses	243,936	283,727	363,515
Postage & communications	196,136	279,953	199,067
Amortization	350,000	231,630	249,122
Equipment rentals	196,569	196,960	216,121
Publicity & advertising	148,639	184,787	188,213
Travel & sustenance	120,414	155,712	128,627
	<u>10,907,000</u>	<u>11,849,870</u>	<u>11,383,654</u>
Loss from operations	(3,586,000)	(3,489,502)	(3,743,701)
Subsidy from General Revenue Fund	<u>3,586,000</u>	<u>4,276,000</u>	<u>4,006,000</u>
Net income	<u>\$ —</u>	<u>786,498</u>	<u>262,299</u>
Accumulated operating surplus/(deficit), beginning of year		55,335	(206,964)
Accumulated operating surplus, end of year - to Statement 1		<u>\$ 841,833</u>	<u>\$ 55,335</u>

(See accompanying notes to the financial statements)

Statement 3

**COMMERCIAL REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED
NET RECOVERY/EXPENDITURE
For the Year Ended March 31**

	<u>1999</u>	<u>1998</u>
Financing (provided by) required for operating activities:		
Net income	\$ (786,498)	\$ (262,299)
Items not affecting working capital		
- amortization	(231,630)	(249,122)
- gain on disposal of capital assets	2,044	8,610
Net increase (decrease) in working capital items related to operations (Note 7)	<u>108,654</u>	<u>(96,039)</u>
	<u>(907,430)</u>	<u>(598,850)</u>
Financing (provided by) required for investing activities:		
Purchase of capital assets	237,997	245,564
Proceeds from sale of capital assets	<u>(2,066)</u>	<u>(9,651)</u>
	<u>235,931</u>	<u>235,913</u>
Net decrease in financing requirements	(671,499)	(362,937)
Accumulated net expenditure, beginning of year	<u>469,242</u>	<u>832,179</u>
Accumulated net (recovery)/expenditure, end of year - to Statement 1	<u>\$ (202,257)</u>	<u>\$ 469,242</u>

(See accompanying notes to the financial statements)

COMMERCIAL REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Authority and Definition of Reporting Entity

The Revolving Fund operates under the authority of section 18 of *The Natural Resources Act*. The purpose of the Revolving Fund is to conduct commercial activity required for the promotion, development and management of provincial parks.

2. Significant Accounting Policies

The financial statements are prepared using generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Recovery/Expenditure and Note 7. The following accounting policies are considered significant:

a) Net (Recovery)/Expenditure

The net (recovery)/expenditure is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

b) Accumulated Net (Recovery)/Expenditure

The accumulated net (recovery)/expenditure of the Revolving Fund includes the following:

- i) the net (recovery)/expenditure for each fiscal year; and
- ii) the book value of assets acquired at no charge from another government agency.

c) Inventories

Inventories are valued at the lower of average cost and net realizable value.

d) Capital Assets

Amortization is calculated on the straight-line basis. Annual rates are from 15% to 25% for equipment and 10% for furnishings.

3. Authorized Financing

Section 18(10) of *The Natural Resources Act* specifies that the maximum balance amount of accumulated net expenditure which may be outstanding at any time will be set by order of the Lieutenant Governor in Council. A maximum amount of \$4,000,000 was established by Order in Council 516/94.

4. Disposition of Accumulated Operating Surplus or Deficit

In accordance with section 18(4) of *The Natural Resources Act*, the Minister shall pay to the General Revenue Fund all or any part of any surplus in the Revolving Fund that Treasury Board may direct. Treasury Board has specified that the maximum accumulated surplus/deficit for the Revolving Fund shall be \$350,000. Treasury Board has also specified that if at the end of a fiscal year the accumulated surplus/deficit exceeds the maximum, then any surplus/deficit in excess of the maximum shall, as soon as possible after the close of the fiscal year, be paid to/from the General Revenue Fund.

However, if any deficit is in fact a subsidy and not a deficit due to business fluctuations, it must be recovered from the General Revenue Fund (Department of Environment and Resource Management's appropriation) in the same year. The Department budgets for a subsidy to the Revolving Fund in the same year that the deficit is expected to occur.

5. Capital Assets

	1999		1998
	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 5,860,328	\$ 5,136,692	\$ 723,636
Furniture and fixtures	337,333	301,632	35,701
Total Capital Assets	<u>\$ 6,197,661</u>	<u>\$ 5,438,324</u>	<u>\$ 759,337</u>
			<u>\$ 752,992</u>

6. Unearned Revenue

Unearned revenue includes monies received in advance for leases involving park land. Revenue for leases is recognized in the year to which the leases relate.

7. Net Change in Working Capital Items Related to Operations

	<u>1999</u>	<u>1998</u>
Increase in accounts receivable	\$ 9,639	\$ 78,575
Increase (decrease) in inventories	1,793	(42,279)
(Increase) decrease in accounts payable	(93,160)	31,681
Decrease (increase) in unearned revenue	<u>190,382</u>	<u>(164,016)</u>
	<u>\$ 108,654</u>	<u>\$ (96,039)</u>

8. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are settled on normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

<u>Category</u>	<u>1999</u>	<u>1998</u>
Expenses	\$ 1,786,091	\$ 1,584,386
Accounts payable	11	156,502

In addition, the Revolving Fund pays Saskatchewan Education and Health tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

The Department of Environment and Resource Management is responsible for the acquisition of provincial park land. Therefore, park land is not reflected in these financial statements. However, in accordance with *The Natural Resources Act*, the Revolving Fund is credited with all rents and fees with respect to park land.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by the various departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

9. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

10. Financial Instruments

The Revolving Fund's financial instruments include accounts receivable, accumulated net recovery and accounts payable. Due to their immediate or short-term nature, the fair value of these instruments approximates the carrying value.

The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

11. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Fund's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the

Fund, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

12. Amount Reported in Public Accounts

The net recovery of the Revolving Fund reported in Public Accounts is the net income of the Revolving Fund adjusted for the following differences in accounting policies between the Revolving Fund and the General Revenue Fund:

	<u>1999</u>	<u>1998</u>
Net income	\$ 786,498	\$ 262,299
(Increase)/decrease in inventory	(1,793)	42,279
(Increase)/decrease in net capital assets	<u>(6,345)</u>	<u>4,599</u>
Net recovery reported in Public Accounts	<u>\$ 778,360</u>	<u>\$ 309,177</u>